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SIPDIS

SENSITIVE

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SUBJECT: AMBASSADOR AND FINANCE MINISTER ON THE ECONOMY AND INVESTMENT

REF: 03 ANKARA 7785

11. (SBU) In a January 16 meeting, Ambassador congratulated Finance Minister Unakitan on Turkey's economic successes in 2003, but warned that the recovery remained fragile and that the GOT needed to implement the reform program fully. He predicted that the Prime Minister would hear similar comments in Washington, and would be asked how Turkey planned to finance recent minimum wage and pension increases.

12. (SBU) Unakitan responded that the 2003 economic results "did not make us happy." For example, while inflation fell to 18.4 percent, it remained far above European levels, even compared to relatively higher inflation countries such as Bulgaria. He assured the Ambassador that the leadership is aware that it cannot relax, and has to redouble its efforts to accelerate privatization, integrate the unregistered economy, lower interest rates, and meet EU accession criteria. He also made a point of stressing the importance of a strong, independent Central Bank. He said the government was working with TUSIAD and other private organizations on legal reform, and was determined to get rid of corruption in the judiciary. (Note: AK officials increasingly have been pointing to corruption and incompetence in the judiciary as a key factor in harming the investment environment. End note)

13. (SBU) Recalling their December discussion (reftel), Ambassador reiterated the importance to Turkey's economic recovery of attracting more foreign capital, and stressed that the Prime Minister's visit, the March Investor Conference, and the June NATO Summit presented the GOT with a golden opportunity to "showcase" its reforms and its improved investment environment. In that context, he made a strong pitch for the GOT to resolve some of the long-pending problems and disputes affecting U.S. companies.

14. (SBU) Unakitan agreed that Turkey needed to attract more foreign capital, including that held by Turks abroad. Noting that investors can "smell" profits, he expressed confidence that, if Turkey created favorable conditions, investors would come. On the specific U.S. investment disputes, he said Parliament would soon pass legislation resolving Cargill's zoning problem, and that the Prime Minister was personally working on the data exclusivity issue. He said he had discussed the Frito Lay-Kar Gida legal dispute with Justice Minister Cicek, and urged the Ambassador to ask Cicek about it. (Septel reports on Embassy's extensive recent discussions with various ministries on the range of investment disputes/problems.)

EDELMAN